VERMONT

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# Green Mountain Care Board
# Hospital Budget Policy:
# Physician Transfer and/or Acquisitions

## Introduction

Each year the Green Mountain Care Board (GMCB) provides the hospitals reporting instructions to complete their budget filing. The following will provide reporting guidance for physician transfer information as part the budget filings for FY 2014 and for any "off cycle" transfers that occur during the current year budget.

On February 21, the Green Mountain Care Board (GMCB) voted to adopt "Guidance and Principles Governing the Green Mountain Care Board Hospital Budget Review Process for Fiscal Years 2014 through 2016." In that document, GMCB indicated its intention to "create an expedient process to review all physician transfers."

As explained in this document, the GMCB will implement that intention by gathering information about physician transfers[1] in a systematic way. This information-gathering process will enable the GMCB to analyze physician transfers reflected in a hospital's budget and any transfers that occur after the GMCB has approved the budget. This will allow the GMCB to understand the implications, if any, of those transactions on the hospitals' current-year and prospective budgets. The GMCB is not imposing a requirement that each physician transfer be approved by the GMCB separate from or in addition to the hospital budget review process.

## Background

The GMCB is charged with improving the health of Vermonters while controlling and managing costs in the Vermont health care system. Measuring the growth in costs is one means to evaluate the performance of the GMCB's actions. In the hospital budget review process, the GMCB focuses on the budgeted year to year growth of the net patient revenues (NPR) in the hospital budgets. The underlying principle for this review is to limit growth to a pace comparable to the Vermont economy.

Vermont healthcare expenditures totaled $5 billion in 2011, and the hospitals comprised $2 billion of the total. In Vermont, the majority of practicing physicians are employed by hospitals.

[1] All references to "physician transfers" mean "physician transfers and/or acquisitions."

Approximately $600 million of physician revenue remains outside of the hospital setting. Independent practices are facing ever-increasing economic pressure to move into the hospital setting. Practices moving into the hospitals can create the impression of hyper-inflationary hospital budget growth, but may be, in whole or part, a simple transfer of dollars within the greater system. Further, physician transfers and acquisitions may occur independent of the budget review process, and by nature are time sensitive, and our reporting requirements need to recognize this reality. We also recognize that these transactions will affect the hospitals' NPR levels in the current and subsequent fiscal year.

Accordingly, the GMCB needs a consistent policy for examining hospital physician acquisitions and transfers to understand the net effect of these transactions on the growth in spending of the entire system, the extent to which the transaction will improve or maintain care to patients in the community, and the impact on the NPR, overall budget, and financial health of the hospital.

**Confidentiality**

The GMCB recognizes that, by gathering information about prospective transactions, it is placing hospitals in a sensitive position. Physician transfers, for a variety of reasons, generally cannot be made public while they are in the negotiation stage. Doing so would, for example, hamper the parties' ability to negotiate and would place the parties at a competitive disadvantage with respect to non-party hospitals or other providers. Vermont's Public Records Act exempts from public disclosure "information . . . which gives its user or owner an opportunity to obtain business advantage over competitors who do not know it or use it," 1 V.S.A. § 317(c)(9), and records related to contract negotiations, 1 V.S.A. § 317(c)(15). Accordingly, hospitals may request that the GMCB keep such information confidential and, assuming the information meets either or both of the above statutory exemptions, the GMCB will treat it as confidential.

**Reporting documents**

The GMCB will require hospitals to provide the following information when proposing a *physician transfer.* The schedules below reflect the GMCB's current view of its informational needs, and the GMCB looks forward to working with the hospitals to evolve these information-gathering tools over time. Both a full annualized effect and a partial year effect need to be completed for any mid-year physician acquisition/transfer that is being considered. The hospital may file any other information it deems appropriate to describe the transfer or will better inform the GMCB.

1) Annual Budget Submission – budget within the 3% cap
   a. Neither budget schedule A or B will be required. These documents are found on pages 20-22 of this document.
   b. Physician budget detail will be reported as described in the Uniform Reporting Manual User's Guide for the Budget Tool.
   c. The narrative will include a brief description of the transfer as outlined in the Uniform Reporting Manual narrative instructions.

2) Annual Budget Submission – budget above the 3% cap
   a. Budget Schedule A will be required to provide financial information about why the transaction is budget neutral.
   b. Physician budget detail will be reported as described in the Uniform Reporting Manual User's Guide for the Budget Tool.
   c. The narrative will include a brief description of the transfer as outlined in the Uniform Reporting Manual narrative instructions.

3) "Off cycle" Budget change - physician transfer/acquisition that occurs after the budget is approved
   a. Budget Schedule A will be required to provide financial information about why the transaction is budget neutral.
   b. Budget Schedule B will be required to provide financial information about the effect on the current year and the next projected budget.
   c. A narrative will be completed to describe the physician transfer and any related issues.

**Budget schedule A**

| HOSPITAL<br><br>PHYSICIAN PRACTICE | Practice Financials Prior Year | Practice Financials 12 months | Practice Financials for partial year |
|---|---|---|---|

| | 12 months | Current Year Projection | | less than 12 months Current Year Projection |
|---|---|---|---|---|
| GROSS PATIENT CARE REVENUE | | | | |
| DEDUCTIONS FROM REVENUE | | | | |
| NET PATIENT CARE REVENUE | | | | |
| OPERATING EXPENSE | | | | |
| PHYSICIAN SALARIES | | | | |
| PHYSICIAN FRINGE BENEFITS | | | | |
| STAFF WAGES & BENEFITS (NON MD) | | | | |
| MALPRACTICE | | | | |
| DEPRECIATION/AMORTIZATION | | | | |
| RENT | | | | |
| BILLING SERVICE | | | | |
| MEDICAL/SURG SUPPLIES | | | | |
| OTHER COSTS | | | | |
| TOTAL OPERATING EXPENSE | | | | |
| NET OPERATING INCOME (LOSS) | | | | |
| Utilization | | | | |
| Relative value units of service | | | | |

**Budget schedule B**

| Annualized effect | | | Physician Acquisition | | |
|---|---|---|---|---|---|
| | FY 2012 Actuals | Original Approved FY 2013 Bud | Annualized | Final FY 13 Bud Including Change | % Change from Original Bud |
| Net Patient Revenue | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Total Expenses | | | | | |
| | | | | | |
| Surplus | | | | | |

| Partial year effect | FY 2012 Actuals | Original Approved FY 2013 Bud | Physician Acquisition Prorated June 1 - Sept 30 | Final FY 13 Bud Including Change | % Change from Original Bud |
|---|---|---|---|---|---|
| Net Patient Revenue | | | | | |
| | | | | | |
| Total Expenses | | | | | |
| | | | | | |
| Surplus | | | | | |

Effective May 2, 2013